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UNCLAS SECTION 01 OF 03 ANTANANARIVO 000052

SENSITIVE  
SIPDIS

DEPARTMENT FOR AF/E MARIA BEYZEROV AND JAMES LIDDLE  
DEPT PASS TO USAID/AFR/EA ASHLEY MARCUS  
DOC FOR RTELCHIN  
TREASURY FOR FRANCOIS BOYE  
PARIS FOR WALLACE BAIN  
LONDON FOR PETER LORD

E.O. 12958: N/A  
TAGS: [PGOV](#) [PREL](#) [ECON](#) [EINV](#) [MA](#)  
SUBJECT: ANTANANARIVO POL/ECON UPDATE

11. (U) SUMMARY: This is U.S. Embassy Antananarivo's Update for January 25 to 29, a periodic unclassified review of major political, economic, and commercial events and information from the U.S. Mission to Madagascar and the Comoros.

POLITICS (Paragraphs 2-6)  
- ELECTIONS POSTPONED  
- ANDRY RAJOELINA IN PARIS  
- OIF ELECTIONS SUPPORT  
- FETISON THREATENED  
- HAT DIVIDES INTO PARTIES

ECONOMIC AND COMMERCIAL (Paragraphs 7-11)  
- FORMER MINING CONTRACTS SAFE  
- GRANT OF NEW MINING PERMITS  
- EXCHANGE RATE DEPRECIATION AND INFLATION  
- DISGRUNTLED CIVIL SERVANTS  
- SSH PROMOTES ENVIRONMENTAL EDUCATION

END SUMMARY

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POLITICS  
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12. (SBU) ELECTIONS POSTPONED: De facto President Andry "TGV" Rajoelina has rescinded his call for elections on March 20, responding to pressure from the international community, opposition political movements, and civil society. He has not, however, changed his negative response to AU Chairperson Jean Ping's request for a return to negotiations; Ping has given Rajoelina until February 5 to reply before the AU considers its options, to include targeted sanctions against the regime leaders. Rajoelina did not announce a new date for elections, but "Prime Minister" Vital told the ambassador the first half of May was likely. His cabinet has indicated that preliminary "national meetings" (to work on revisions to the constitution) would proceed in February regardless. As long as the opposition movements remain excluded from the transition government, however, they are unlikely to participate in any elections, in March or otherwise.

13. (SBU) ANDRY RAJOELINA IN PARIS: Following a Jan 26 press conference in which he stated that the March 20 legislative election date was negotiable, Rajoelina departed Madagascar quietly for France. On January 27 and 28, Rajoelina held meetings in Paris with French SG of the Presidency Claude Gueant, Elysee Africa Adviser Andre Parant, Cooperation Minister Alain Joyandet, and Elysee Africa Technical Adviser Remi Marechaux, where he reportedly was urged to give due consideration to AU Chairman Ping's compromise proposal.

Readouts from Paris indicate that the French are willing to accept TGV's plan to let the results of legislative elections determine the composition of a unity government. This plan ignores the question of who will prepare legislative elections; opposition parties have rejected the unilateral preparations that the HAT has underway. Local press reported that following a stop in Paris, TGV would continue on to Libya to meet with Kaddafi or Morocco, although HAT contacts confirmed to Emboff Jan 29 that TGV would not go to Libya. The press reported here that Gueant would recommend to TGV to be flexible with regards to Ping's recommendations and urge him to postpone legislative elections and accept setting up some of the transition institutions proposed by the Maputo and Addis-Ababa agreements. In a further attempt to influence international opinion, HAT Foreign Minister Ny Hasina traveled to Addis Ababa to meet with AU representatives this week.

14. (SBU) OIF ELECTIONS SUPPORT: The press reported Jan 25 that the OIF delegation, present during the Ping mission, held two meetings with the minister of interior to discuss election plans and pledged to send a support delegation soon. OIF contacts confirmed to Emboff that the meetings took place, but did not comment on the possibility of another delegation. French officials reported separately that the OIF concluded that Malagasy elections officials had the technical capacity to organize elections, but needed to put an independent election commission into place before proceeding. The OIF is viewed by most Malagasy as essentially an extension of France, operating under French instruction.

15. (SBU) FETISON THREATENED: On January 28, the Special Intervention Force (FIS, a military unit that reports to Rajoelina) attempted to arrest Co-President Fetison Andrianirina (of the Ravalomanana movement) at a local hotel; however, he escaped. He had planned to

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give a press conference at the hotel, but did not go there once apprised of the arrival of security forces. He instead gave his press conference by telephone. On January 29, the ambassador met with Fetison at the German embassy. The two ambassadors then demarched "PM" Vital "in the spirit of reconciliation" to cease all efforts to arrest Fetison. One result of the demarche was Vital's agreement to receive Fetison discreetly on Sunday, January 31, to discuss a possible consensual way forward; Fetison has agreed to do so. Vital also pledged that Fetison would not be arrested.

16. (SBU) HAT DIVIDES INTO PARTIES: In light of the upcoming legislative elections, Rajoelina supporters have begun to divide and form different coalitions. Twenty-four political associations and parties, most of them HAT members including Rajoelina's TGV, formed a new coalition called UDR Fanovana - or Union of Democrats and Republicans for Change, led by Jean Lahiniriko - reportedly to unite their forces and present a common candidate for each electoral circumscription to ensure that the "presidential coalition" gains a majority of seats at the National Assembly. Additionally, Telecoms Minister Augustin Andriamananoro and Education Minister Julien Razafimanazato, reportedly "with Rajoelina's blessings," set up another pro-Rajoelina coalition called DEFI 2010 (or Challenge 2010), open to all individuals and aimed at "promoting new political ethics and practices by Malagasy youth or young-minded personalities." Their candidates will be asked to sign a Charter of Values and an ethical commitment letter. The latest newly-created pro-HAT party is that of Minister of Culture Gilbert Raharizatovo, called RPM or Rassemblement Pour Madagascar, also advocating new political practices.

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ECONOMIC AND COMMERCIAL  
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17. (U) FORMER MINING CONTRACTS SAFE: On January 19, HAT Minister of Mining Mamy Ratovomalala announced that the de facto GOM will not review existing mining contracts, despite previous contradictory assertions by the HAT that it would revise the terms of the QMM (Rio Tinto) and Ambatovy (Sherrit, etc) projects. He argued that Madagascar did not want to follow in the footsteps of other African countries that have suffered negative impacts, including a lack of investment, from revising mining contracts.

¶8. (SBU) GRANT OF NEW MINING PERMITS: In mid-January, the de facto minister of mining announced that the ministry would issue 1,200 new permits this year. The de facto regime did not issue any permits in 2009 and has a backlog of requests. Private mining interests fear that the grant of new permits will be a source of corruption, as they have been told unofficially that the granting of new permits would not follow the regular channel. However, the director general of mining told Emboff that the ministry must follow the provisions of the current mining code. He explained that the minister is involved in the last step of permit issuance and that, if corruption occurs, it was most likely at that stage of the process.

¶9. (SBU) EXCHANGE RATE DEPRECIATION AND INFLATION: Since the beginning of 2010, the Ariary has depreciated by 5.62 percent against the Euro and by 7.33 percent against the Dollar (the exchange rate USD/Ariary went from Ar 1962.42 on January 4, to Ar 2106.4 on January 26). According to the Central Bank, this is attributed to the decline in capital inflows on the foreign exchange market but not to a move to restore export competitiveness following the loss of AGOA by adopting a policy of currency depreciation, as had been suggested previously. The IMF resrep explained that the Ariary generally faces downward pressure during the first quarter of each year due to the agricultural cycle, which produces few forex-earning exports but features high demand for rice imports, during this time of year. He further argued that the real exchange rate appreciated slightly in 2009, the Ariary remains overvalued, and further depreciation this year would be beneficial. Rice prices have stabilized as the first harvest of the year has begun, but prices of meat, sugar, flour, cooking gas, and cigarettes have increased since the beginning of the year.

¶10. (U) DISGRUNTLED CIVIL SERVANTS: The HAT government announced a ten percent increase in civil servants' salaries starting from January 2010 despite a shortage of government revenue. Some civil servants are, however, unhappy with this increase as they expected a revision of the whole salary scale rather than a mere ten percent increase. Doctors in the main public hospitals in Antananarivo - who reportedly earn less than police officers -- have been on strike for

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two weeks and have announced plans to continue until the government takes their request for increased pay into consideration.

¶11. (U) SSH PROMOTES ENVIRONMENTAL EDUCATION: The Special Self-Help (SSH) Coordinator visited an SSH project focusing on environmental education in Andasibe national park in the Alaotra Mangoro region of Madagascar last week. The grantee, Association Mitsinjo, was awarded USD 3,000 to provide school children with environmental awareness sessions throughout the year, teaching them about different plant and animal species and taking them through the park. Before SSH was suspended last year, Mitsinjo used USD 550 to reach 252 students.

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